

# 1969 Annual Report | American-Standard

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## PLUMBING AND HEATING BUSINESS

J. L. Briggs, Corporate Executive Vice President

### U. S. Plumbing and Heating Group, New York, N. Y.

D. R. Meckstroth, Corporate Vice President and Group Executive

Hydronics Division, Buffalo, N. Y.

William E. Hocht, General Manager

Plumbing Products Division, Louisville, Ky.

David W. Pertschuk, Vice President

Marketing Division, New York, N. Y.

James J. Galvin, Vice President

Sales Division, New York, N. Y.

Frank J. McGrath, Vice President

The Majestic Company, Huntington, Ind.

Donald A. Purviance, President

### Western Hemisphere Operations

American-Standard Products, (Canada) Limited, Toronto, Canada

Donald F. O'Neil, General Manager

Ideal-Standard S.A., Sao Paulo, Brazil

William A. Harris, Managing Director

Ideal-Standard, S.A. de C.V., Mexico, D.F.

N. D. Petrovich, Managing Director

### Affiliated Companies

Compania Roca-Radiadores, S.A., Gava (Barcelona) Spain

Antonio Roca, Managing Director

Industria Ceramica Centroamericana, S.A.

Managua, Nicaragua, C.A.

Manuel O. Lacayo, President

Sanitary Wares Manufacturing Corp., Manila, Philippines

Raul A. Boncan, Managing Director

American-Standard Sanitaryware (Thailand) Ltd.,

Bangkok, Thailand

Chalermphan Srivikorn, President

### European Plumbing and Heating Group, Brussels, Belgium

John Creek, Corporate Vice President and Group Executive

Ideal-Standard G.m.b.H., Vienna, Austria

Friedrich Langer, Managing Director

Ideal-Standard S.A., Brussels, Belgium

Guy van Zanten, Managing Director

Ideal-Standard Limited, Hull, England

Eric Nicholson, Managing Director

Ideal-Standard S.A., Paris, France

Alain Dunand, Managing Director

Ideal-Standard G.m.b.H., Bonn, Germany

Joachim Henschke, Managing Director

Ideal-Standard S.A.I., Athens, Greece

Emmanuel Kampouris, Managing Director

Ideal-Standard (Holland) N.V., Amsterdam, Holland

M. J. G. Muller, General Manager

Ideal-Standard S.p.A., Milan, Italy

Pietro Fascione, Managing Director

Oertli-Ideal-Standard, Dubendorf, Switzerland

Frank D. Pickersgill, Managing Director

### Asian-Pacific Operations, Hong Kong

Baldwin T. Young, General Manager

## MERCHANDISING BUSINESS

Paul M. Augenstein, Corporate Executive Vice President

### Environmental Systems Group, New York, N. Y.

William H. Roberts, Vice President and Group Executive

Commercial Air Conditioning Division, Carteret, N. J.

Don V. Petrone, Vice President and General Manager

Residential Air Conditioning Div., Elyria, Ohio

D. W. Schrempf, Vice President and General Manager

Coil Division, Wilmington, N. C.

Sidney A. Shapiro, Vice President and General Manager

International Air Conditioning Division, New York, N. Y.

J. R. Martin, Vice President and General Manager

Ideal-Standard de Centro America S.A.,

San Salvador, El Salvador

Carlos Jimenez, General Manager

Breda-Standard, Bari, Italy

Alberto Cafiero, Managing Director

### Amstan Supply Division, New Brunswick, N. J.

Wesley L. Wright, Vice President and General Manager

### Building & Real Estate Development Group, Newport Beach, Calif.

William Lyon, Vice President and Group Executive

Continental Homes, Inc., Washington, D. C.

Don Carmichael, President and General Manager

Wm. Lyon Development Co., Newport Beach, Calif.

William Lyon, President

### International Export Division, New York, N. Y.

Paul Lanier, Vice President and General Manager

### Affiliated Company

Applied Air Conditioning Equipment Pty. Ltd.

Melbourne, Australia

W. E. Dobney, Jr., General Manager

## FINANCIAL HIGHLIGHTS

	1969	1968 as restated	1968 as previously reported
Sales . . . . .	\$1,307,393,000	\$1,149,742,000	\$1,075,235,000
Income before extraordinary items . . . . .	34,729,000	31,626,000	29,282,000
Per common and common share equivalents . . . . .	1.91	1.71	1.77*
Net income . . . . .	38,594,000	32,214,000	29,870,000
Per common and common share equivalents . . . . .	2.12	1.74	1.83
Dividends per common share . . . . .	1.00	1.00	1.00
Depreciation . . . . .	38,356,000	37,846,000	36,403,000
Expenditures for facilities . . . . .	66,795,000	49,898,000	46,441,000
Working capital . . . . .	366,389,000	318,576,000	309,563,000
Long term debt . . . . .	333,587,000	229,731,000	225,374,000
Average common and common share equivalents . . . . .	18,084,707	18,408,460	10,559,720
Number of common stockholders . . . . .	48,695	48,100	47,780
Number of employees . . . . .	74,400	66,400	63,000

\*Based only on average common shares outstanding—inclusion of common share equivalents would have resulted in income of \$1.75 per share.

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## OFFICERS AND DIRECTORS



President W. D. Eberle and Executive Vice Presidents, J. L. Briggs, L. C. Ward, P. M. Augenstein, W. A. Marquard and L. E. Walkley

### OFFICERS

#### President

W. D. EBERLE

#### Executive Vice Presidents

P. M. AUGENSTEIN

J. L. BRIGGS

W. A. MARQUARD, JR.

L. E. WALKLEY

L. C. WARD

#### Senior Vice Presidents

B. S. DURANT    Operations Services

J. L. GRANT    Finance Services

#### Corporate Vice Presidents

R. W. ANDREWS    Administration

C. C. BENEDICT    Controller

W. H. CHAFFEE    Urban and Public Affairs

JOHN CREEK    European Plumbing & Heating

D. A. DeWAHL    General Counsel and Secretary

M. B. HOLLANDER    Technology

D. R. MECKSTROTH    U. S. Plumbing & Heating

#### Other

R. H. FRANCIS    Treasurer

J. R. ALLEN    Assistant Controller

J. M. GALVIN    Assistant Controller

F. W. JAQUA    Assistant Secretary

H. H. STEINER    Tax Counsel

J. F. WARNER    Assistant Treasurer

### BOARD OF DIRECTORS

PAUL M. AUGENSTEIN    Executive Vice President, American-Standard

E. NEWTON CUTLER, JR.    Senior Vice President, First National City Bank

W. D. EBERLE    President, American-Standard

JOSEPH A. GRAZIER    Formerly Chairman, American-Standard

JOHN C. GRISWOLD    Partner, Eastman Dillon, Union Securities & Co.

EDWARD J. HANLEY    Chairman, Allegheny Ludlum Steel Corporation

JOHN M. KINGSLEY    Chairman, Executive Committee,  
Bessemer Securities Corporation

GEORGE P. MacNICHOL, JR.    Director, Libbey-Owens-Ford Company

A. KING McCORD    Formerly Chairman, Westinghouse Air Brake Company

LEONARD P. POOL    Chairman, Air Products and Chemicals, Inc.

FREDERIC N. SCHWARTZ    Chairman, Executive Committee, Bristol-Myers Co.

G. ALBERT SHOEMAKER    Formerly President, Consolidation Coal Company

LAURENCE C. WARD    Executive Vice President, American-Standard

HENRY S. WINGATE    Chairman, The International Nickel Co. of Canada, Ltd.

HERBERT B. WOODMAN    Chairman, Inmont Corp.

LESLIE B. WORTHINGTON    Director, Formerly President,  
United States Steel Corp.

## TO OUR SHAREHOLDERS:

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**1969 was a year of continued growth for American-Standard both in earnings per share and improvement in competitive position. We were faced with some unforeseen and unfavorable events, but good progress was made even though we fell below the goals we had set for ourselves.**

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Earnings per common share rose to \$1.91 from the \$1.77 reported a year ago. Sales in 1969 totaled \$1.31 billion, up from \$1.07 billion in 1968. The increases in sales and earnings were achieved in all major areas of the company. This growth came from both internal expansion and from acquisitions.

We have broken down the sales and product income by operating categories, and this is presented in the Financial Review section. Our markets and operations are both broad and sound. They are building products (48% of sales), security and business systems (15%), transportation products (14%), industrial and construction products (19%), and miscellaneous (4%). Of our 1969 sales 67% were in United States markets and 33% in other markets.

### A UNIQUE COMPANY

As we begin a new decade we must ask ourselves these questions: What is American-Standard? How have we been doing? and Where are we going?

American-Standard is a unique organization. Multi-nationally, we deal in quality products, systems, and services. We produce and market air conditioning, heating, plumbing and specialties for buildings of every type. We are active in the land development and shelter business. We make specialized industrial equipment as well as systems for transportation, construction, air handling and cleaning, heat transfer, and related functions. We manufacture security equipment and records handling systems ranging from file cabinets to retrieval systems. In the graphic arts field we produce printed materials for commercial needs. Our objective is to expand these operations in world markets and to become a better company, not just a bigger one. The end result of our activities is to provide the public with quality products and the means of improving its environment.

### THE PLUSES AND MINUSES OF 1969

To gain a clear perspective of how we have been doing one needs to look at the mixture of favorable and unfavorable circumstances and events of 1969. The favorable factors more than offset the unfavorable ones. The company's inherent strengths permitted continued implementation of our growth programs. For example,

- sales increased through new product lines, broader geographic scope of some of our markets, and increased penetration of existing markets—specifically plumbing products in Europe, domestic building specialty products, improved transportation systems, land and shelter, and graphic arts.
- expenditures for capital investment rose from \$50 million to \$67 million in the growing markets mentioned above, particularly in Mexico, England, Canada, Italy, Germany and the United States.
- product development and research expenditures increased from \$26 million to \$32 million. Over seventy new or improved products were developed.

- some of our assets were freed for redeployment by the sale of our minority interest in a domestic automotive air brake company, by sale or closing of several operations, and by continued product-line simplification.
- continued progress was made in worldwide marketing and production planning as a result of the assigning of worldwide responsibility to the four specific business areas.
- manpower development moved forward as training for all employees was stepped up. Recruiting was intensified and a higher percentage of our job offers was accepted.
- new responsibilities were assigned to Mr. John Creek and Mr. Donald R. Meckstroth who were named corporate vice presidents. Mr. John L. Grant, formerly chief financial officer of Sinclair Oil, became senior vice president, finance services, and Mr. Bryce S. Durant, formerly head of the consumer products of RCA, was named senior vice president, operations services.

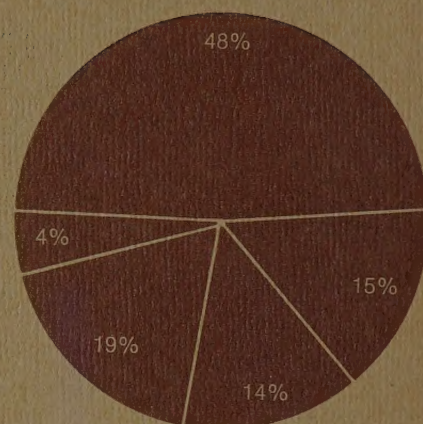
We had our share of unfavorable developments. Some of these unsettling factors resulted more in delays than in permanent set backs. For example,

- rapid increase of interest rates on existing loans and new borrowings to meet our growth requirements raised our financial costs.
- inflation, both in the United States and abroad, increased the cost of purchased materials as well as our manufacturing and distributing operations.
- a significant slump in housing starts in the United States in the last half of the year affected our market.
- sporadic strikes in France and Italy and major strikes in our security products and industrial products groups in the United States in the last quarter affected the results of these operations.
- start-up of new and remodeled plants and some delays in redeployment of assets resulted in increased costs.

#### THE FUTURE

Looking to the future, our goals are clear—

- to achieve consistent growth in shareholder values by consistent increase in earnings per share.
- to create an environment in which the individual can realize his maximum potential as employee and citizen.
- to ensure that the company performs as a good corporate citizen, responsive to its obligations to shareholders, governments, employees, communities, customers and suppliers.



#### Sales by Product Categories

Building Products	48%
Security and Business Systems	15%
Transportation	14%
Industrial and Construction Products	19%
Miscellaneous	4%

As we look into the seventies we are optimistic. A solid earnings base has been built on our present markets and products. In addition, improvements can and will be made in operating efficiencies such as occurred in 1969.

Some of our major markets are expanding briskly. Security, office systems and graphic arts are growing much faster than the general economy. The worldwide demand for housing should give good growth potential over the decade.

Transportation systems have sound basic earnings and should have good growth as more money is made available throughout the world for mass transportation.

Our equipment technology in industrial products continues to emphasize air pollution control.

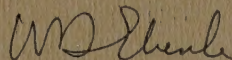
We are backing our growth potential with capital expenditures for new and improved facilities, new products and opening new markets. When we combine the sound earnings of our broad basic products and markets, the potential for our rapid growth businesses, our financial resources, and the continued strengthening of our worldwide management teams, we feel we have good reason to view the seventies with optimism.

#### **THE 1970 OUTLOOK**

We expect U.S. housing starts to drop to about 1,300,000, higher costs in the year 1970 because of inflation, high interest rates to remain, and some leveling in industrial orders. Nonetheless, we expect these factors to be more than offset by new products, new market expansion, more efficient asset utilization, continued implementation of cost reduction and plant improvement programs, less time lost by strikes, and continued growth in our many non-U.S. markets.

We anticipate an increase in earnings per share in 1970. Your management is dedicated to accomplishing this through thoughtful and careful planning to achieve established goals. We are never satisfied and are constantly reviewing and updating our planning and goals. I want to commend all our employees for their accomplishments, and to thank our shareholders for their support.

By order of the Board of Directors



February 23, 1970

PRESIDENT

	1969	1968
	\$ are in millions	
Sales	\$629	\$554
Share of Total	48%	49%
Product Income	\$49	\$41
Share of Total	52%	52%

The building products operations of American-Standard in 1969 included our air conditioning, heating and plumbing operations, our land and shelter activities, and our growing building specialties operations, which includes three fine firms who joined the company during the year:

## Plumbing and Heating in 1969

by J. L. BRIGGS    Executive Vice President

Our plumbing and heating business encompasses manufacturing operations in 17 countries in North and South America, Europe, and the Asian-Pacific area. This geographic spread to our operations not only enhances our growth potential but also balances the good and the poor business conditions around the world for us. This balance, plus our programs for improving efficiency, expanding operations, and intensifying our marketing efforts—and some good luck and hard work—resulted in a worldwide increase in both sales and earnings in 1969.

### GROWTH IN WORLD MARKETS

In Europe, where we have the bulk of our international operations, we markedly increased our share of the plumbing fixture business through the addition of a major producer of low-cost fixtures and entered the oil burner business through the purchase of a leading manufacturer of those products. We brought to market more new heating products than in any previous year, progressed in our planning and preparations for directing our efforts toward one European market as opposed to numerous national markets, and increased our productive capacity in a number of countries.

As expected, the performances of our various companies were uneven. The British suffered most in their government's economic squeeze, but the new Italian management team offset this profit shortfall by overcoming turbulent political and labor conditions in their country. The French broke records in the first half of the year then slowed down in the second half, but overall contributed solidly to profit along with their reliable neighbors in Germany and Austria. The

Swiss closed their foundry and joined forces with our oil burner company in that country.

In the western hemisphere excellent performances in Canada and Brazil offset a bad year in Mexico.

Our partnership roles in the Philippines and Nicaragua, where both companies prosper, encourage our belief in joint ventures between well adjusted partners. We added a new such venture this year, going into a partnership in Thailand.

### U.S. MARKETS

The homebuilding slump in the U.S. affected our operations, but the U.S. group was solidly profitable. During the year we moved to supplement our strong position in the big middle market for plumbing fixtures by increasing our role in the luxury market. For the luxury market we set a new standard in bathroom design and quality with the introduction of new concepts such as the Ultra Bath, the Shower Tower and the Spectra 70 bath tub and enclosure. We are also turning our attention to the growing lower income market, where the needs of urban renewal and home modernization and the constant search for economy in construction require new product designs and production techniques, as well as competitive distribution. We believe we have some of the best people in the world helping us in this effort.

### THE YEAR AHEAD

The increasing need for more homes in most parts of the world provides a firm foundation for our continued growth in plumbing and heating. While economic conditions may limit construction in some countries in the first part of 1970, we expect demand to grow as the year goes on and look for increased sales and earnings during the year.

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The Majestic Company, makers of factory-built fireplaces, char-grilles, incinerators and allied products; Newcastle Industries, producers of Modernfold Doors, Mutschler Kitchens, and Peabody Seating; and Steelcraft Manufacturing Company, leading manufacturer of steel doors and door frames. Two of our executive vice presidents report on building products operations in 1969:

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## Merchandising Business Report

by PAUL M. AUGENSTEIN    Executive Vice President

The common denominator in our merchandising business is the necessary emphasis which must be placed on marketing planning and sales operations in the activities included in the group—environmental systems, building and land development, wholesale supply operations, and international export sales. In three of these areas 1969 was what could be called a transition year, while in the fourth—building and land development—impressive growth continued.

### ENVIRONMENTAL SYSTEMS

During the year all of the company's worldwide operations in the design, production and marketing of air conditioning equipment, warm air heating equipment and electric heating equipment were brought together in a single operating group known as the Environmental Systems Group. The decision was made to eliminate some product lines of the Applied Air Conditioning Division because of conditions in the commercial and institutional market the Division served. The remaining profitable product lines were assigned to other divisions in the group, and the Applied Air Conditioning Division and its Columbus, Ohio, plant are being phased out.

The Residential Air Conditioning Division continued to increase sales and earnings and lead the way in new product development. Consequently, a major expansion of this division's production facilities is underway. The new manufacturing plant of our Commercial Air Conditioning Division moved into full operation during the year, and our sales of this line of product are increasing.

Internationally, the keynote is expansion into new markets. We have concluded arrangements to participate in a joint venture in the production of room air conditioners and light commercial air conditioning equipment in Venezuela. In Europe, we became partners in the Breda Air Conditioning business in Bari, Italy. This company is in the process of

planning for production of a finished product for Italy and is exporting throughout Africa and the Middle East. It also produces component parts for shipment into the European common market, where they will be assembled in company plants.

### EXPORT SALES AND WHOLESALE SUPPLY

The International Export Division functioned in 1969 for the first time as a profit center, offering its services to all producing units of the company. It operated profitably in its first year despite the severe labor stoppages encountered throughout the world as the result of political and economic conditions in various countries.

Amstan Supply Division, a wholesale distributor of plumbing, heating, air conditioning and industrial supplies in the United States, felt the effect of the homebuilding slump and changing market requirements. Management of the division was strengthened during the year.

### LAND AND SHELTER

In 1969 we expanded the activity of our Wm. Lyon Development Company to the point where we are now active in most phases of the shelter industry—single family homes, town houses, multi-family structures and recreational development. While sales in these activities are not included in the company's consolidated figures because of the nature of the real estate business, the figures set forth on page 19 indicate the substantial and growing size of our operations.

We constructed and sold our first multi-family units in 1969, and began our operations in recreational land development in Santa Cruz and Tehama County, California. We also added to our operations Continental Homes, which is active in homebuilding in Central and South America.

Existing activities also grew as single family home construction in California increased, new joint ventures were undertaken in Twin Rivers, New Jersey and in Virginia, and our joint venture in low income housing, Construction for Progress, sold its first building in New York City and began construction of four more.

# INDUSTRIAL PRODUCTS

Transportation Systems			Industrial and Construction Products			Both our transportation products and our other industrial products are the responsibility of our Industrial Products Business. The executive vice president in charge reports:
	1969	1968		1969	1968	
	\$ are in millions			\$ are in millions		
Sales	\$184	\$152	Sales	\$253	\$220	
Share of Total	14%	13%	Share of Total	19%	19%	
Product Income	\$15	\$14	Product Income	\$17	\$15	
Share of Total	16%	18%	Share of Total	18%	19%	

## The Industrial Products Business

by L. E. WALKLEY, Executive Vice President

Our Industrial Products Business is primarily concerned with equipment used in transportation and industrial processes but also includes materials and components for manufactured products. In 1969, as noted above, our sales and earnings both increased.

### TRANSPORTATION SYSTEMS

This was a year of expansion and technical breakthrough. We broadened our product scope through investments in such new lines as draft gears, slack adjusters and disc brakes. We added the monorail design and production facilities of the Universal Design Company of Wildwood, New Jersey, as well as a firm in Belgium and another in Sweden. We sold our minority interest in a U.S. automotive brake firm, Bendix-Westinghouse.

Two promising new developments which could be of great significance were announced. One is the Plasma Jet Adhesion Boosting System that improves traction for faster acceleration and deceleration for railway vehicles.

The other development is one which provides precise speed control on rapid transit systems, permitting a faster rate of acceleration and much smoother starts and stops. It's called PWM (pulse width modulation) and was developed in conjunction with Reliance Electric Company.

Two major problems were experienced during the year, a major strike lasting 10 days and involving 3,500 employees, and production and scheduling difficulties in signals and communications, which resulted in loss operations in that division. The situation has been corrected and 1970 will show good improvement.

### EUROPEAN OPERATIONS

A European Operations Office was established in 1969 to direct the development, marketing and production of industrial products on a European rather than a national basis. We purchased some of the outstanding minority shares in our French, Italian and German companies. The major areas of present operations are automotive braking, railway braking and signaling, and mechanical equipment for industry. These businesses represent great profit potential

and should grow rapidly in the coming years because of the rapid industrial growth in Europe and the increasing momentum of our operations.

In 1969 European operating results were affected by strikes. Two of our plants were down for about two weeks each as a result of the labor unrest that rolled over Western Europe late in the year.

### CONSTRUCTION AND MINING EQUIPMENT

Sales and growth in this worldwide business area were good during the year although certain contract losses were sustained in Australian operations. Earthmoving equipment—trucks, motor graders, scrapers and front-end loaders—accounted for the largest portion of sales, and sales of drilling equipment were significant.

In 1969 we moved into the development, testing and manufacture of very heavy haulage trucks, ranging in capacity from 150 to 200 tons. Several of them are now operational. Also introduced during the year was a new model of motor grader for the construction industry. While sales of construction equipment have been increasing steadily in recent years, the government's curtailment of funds for road-building will probably hold 1970 sales to the 1969 level.

A possible new market for our vibration-generating device used in geological exploration is the search for oil on the Alaskan North Slope. Perma-frost in the ground has prevented exploration with conventional methods, so our device is being tested.

### CONTROLS AND ANTI-POLLUTION EQUIPMENT

Expansion of the heat exchanger business highlighted activities in this area in 1969 as we began preparation of new production facilities in Canada and in Germany. We continued to increase our emphasis on air pollution equipment, and received a contract for what is believed to be the largest electrostatic precipitator in the world for a new TVA plant. Other events included the development of an analog fluidic transmission control for highway equipment and ships, the introduction of new miniature packaged relays, and the production of ventilating equipment for the longest tunnel in the United States at Straight Creek, Colorado.

	1969	1968
	\$ are in millions	
Sales	\$195	\$162
Share of Total	15%	14%
Product Income	\$18	\$13
Share of Total	19%	17%

The fourth of our major business segments includes Mosler security and office systems, technical products operations and graphic arts activities. The executive vice president in charge reports:

## Security and Business Systems

by WILLIAM A. MARQUARD, JR., Executive Vice President

Sales of the Security, Graphic Arts and Technical Products Business grew by 20%, and our share of the company's total rose from 14% to 15% in 1969 as a result of the continued growth of the markets served, new products developed by us, and the addition of new operations.

### SECURITY AND OFFICE SYSTEMS

The market for security equipment is growing more quickly than our overall economy because of growing concern for security, the increase in the amount of material to be protected, the high level of expansion of banking facilities and services, and new government regulations about the security measures taken by financial institutions. Our security product sales in 1969 were the highest in our history, and 1970 should continue the upward trend. We are expanding our electronic security system plant in Danbury, Connecticut and taking measures to increase output in other plants.

Our new automated document retrieval system—the Mosler 410—was the star performer in the office systems and equipment business in 1969. We doubled the size of our Milford, Ohio plant to meet the growing demand for these systems, which promote efficiency and manpower savings in a variety of installations, including police records, court records, newspaper files, hospital records and engineering drawings.

A plant expansion program at San Leandro, California was required to meet the demand for Mosler-Harbor filing equipment, and new plants for the production of furniture and counters for financial institutions were acquired in Buffalo and Franklinville, New York.

We experienced a strike in our security equipment operation in Hamilton, Ohio that included about 1,000 employees and lasted 3 weeks.

### GRAPHIC ARTS

Our Graphic Arts Group produces printed forms for business, checks and allied products for banks, and commer-

cial printing for a wide range of customers. The demand for these materials is growing briskly as the number of people increase, the amount of information developed rises sharply, and commercial activity intensifies.

In our business forms operations we are growing more rapidly than the overall industry as a result of our concentration on high growth areas in both the markets we serve and the products we develop—such as forms for the optical character recognition means of providing input data to computers. During the year we enlarged our geographic scope by entering the forms business in Mexico.

In the bank stationery field, we emphasize styling in new products to help institutions in their promotional programs, and this has helped boost our sales of personalized bank checks. During the year we added four plants, bringing the number serving the bank market to 20.

Commercial printing activities cover a wide range of high quality color printing for the advertising, promotion, and financial printing markets. Our facilities lend themselves to versatility and enable us to accommodate small and large run multi-color orders. Aggressive marketing policies, including an extensive planning and creative organization to serve customers better, have contributed to making 1969 a banner year. New facilities were added late in the year and will increase output substantially.

### AVIATION AND ELECTRONIC PRODUCTS

While sales and profits did not reach our expectations in 1969, we look for improvement in both areas in 1970. A completely new aircraft instrument landing system was delivered to the Federal Aviation Administration by our aviation and electronics products division. This system, which exceeded performance specifications, provides a partial solution to air traffic control problems and air safety. The introduction of a more efficient aircraft fire extinguishing system was another contribution to air safety. An advanced solid state line of communications products for private aircraft was introduced; it is now being delivered to airframe manufacturers and aircraft service depots.

# FINANCIAL REVIEW

An annual report is primarily a report of management's stewardship of stockholder investment. In the tables and the review that follow, the significant items of stewardship are set forth by our executive vice president.

## Financial Report

by L. C. WARD Executive Vice President

### DISTRIBUTION OF SALES AND INCOME

Sales and income may be distributed as follows (dollars in millions):

	SALES		1968		INCOME		1968	
	1969		1968		1969		1968	
	Amount	%	Amount	%	Amount	%	Amount	%
Building Products . . . . .	628.7	48	554.4	49	48.7	52	41.0	52
Transportation Systems . . . . .	183.6	14	152.1	13	14.8	16	14.1	18
Industrial and Construction Products . . . . .	253.3	19	220.4	19	17.0	18	14.7	19
Security, Graphic Arts and Technical Products . . . . .	195.5	15	161.6	14	18.2	19	13.2	17
Miscellaneous . . . . .	46.2	4	61.2	5	(4.8)	(5)	(4.4)	(6)
Sales and product income . . . . .	<u>1,307.3</u>	<u>100</u>	<u>1,149.7</u>	<u>100</u>	<u>93.9</u>	<u>100</u>	<u>78.6</u>	<u>100</u>
Interest expense, net of interest, dividend and royalty income . . . . .					(22.4)		(13.0)	
Corporate . . . . .					(15.5)		(11.4)	
Taxes on income . . . . .					(23.5)		(24.2)	
Equity in net income of real estate and finance subsidiaries . . . . .					2.2		1.6	
Sales and income before extraordinary items . . . . .	<u>1,307.3</u>		<u>1,149.7</u>		<u>34.7</u>		<u>31.6</u>	

### EARNINGS

Earnings are presented as though all of our \$4.75 Preference stock had been converted into common stock and all relevant outstanding stock options had been exercised. Income before extraordinary items was \$1.91 per common share in 1969 compared with \$1.71 in 1968 as restated, an increase of 12%, based on 18,084,707 common and common share equivalents in 1969 and 18,408,460 in 1968.

### WORKING CAPITAL

Working capital stood at \$366 million at year-end 1969, representing an increase of \$48 million over 1968 as restated and a current ratio of 2.1. Emphasis in 1970 is being continued toward improved control of accounts receivable and inventories.

### CAPITAL EXPENDITURES

During 1969 capital expenditures amounted to \$67 million. For 1970, it is expected that expenditures will be at approximately the same level and will be financed through a combination of funds derived through depreciation and proceeds from the sale or disposition of certain investments, operations and facilities.

### EXTRAORDINARY ITEMS

In 1969 we disposed of a 49% interest in Bendix-Westinghouse Automotive Brake Company which constituted an extraordinary credit of \$28.9 million after applicable income taxes of \$9.6 million.

During 1969, management made an intensive evaluation of the current deployment of its assets and recommended a program for building a better company in the long run by redeployment of certain of those assets over the next few years. The Board of Directors has approved the program, which will involve the sale or other disposition of certain businesses as well as the disposal of excess, obsolete or inefficient facilities.

Consequently, an extraordinary charge of \$25 million (after applicable income taxes of \$22 million) was levied against 1969 income and a before tax reserve for "expenses resulting from reevaluation of certain product lines and facilities" is reflected on the balance sheet. This charge represents our best estimate of the costs to be incurred in redeploying certain of our assets to yield better profit results in the years ahead.

Continued on page 19

THE MARKETS OF AMERICAN-STANDARD



## Housing and Construction

The number of people on earth continues to grow . . . and the need also grows for homes and buildings in which to live, learn, work, worship and play. We serve this market with a variety of products that make buildings safer, more comfortable, more usable, more attractive and more healthful—with equipment that makes construction easier and faster—and with complete homes: American-Standard and Ideal-Standard plumbing, heating and air conditioning; Modernfold doors; Majestic fireplaces; Steelcraft doors and frames; Mutschler kitchens; WABCO earthmoving equipment; Mosler security and office equipment; Lyon Homes and Continental Homes.





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Wilhelm-Leuschner-



## Transportation and Communications

The world grows constantly smaller as people and goods move about more and transmit information more quickly. Playing vital roles in rail and automotive transportation on the ground and in marine and aviation activities are our company's Westinghouse Air Brake signal and communications equipment and braking systems for rail and mass transit, truck braking equipment, traffic signalling systems, Wilcox aircraft navigational equipment, and American-Standard controls and heat exchangers.





## Security and Systems

The wealth of the world increases, and documents and records multiply. The need for protection, for orderly storage, for efficient retrieval and for business communications grows year by year. Serving this market are Mosler physical and electronic security systems, information retrieval systems, remote transaction systems, Mosler-Harbor bank and office furniture, American Bank Stationery checks and transaction slips, and American-Standard business forms and commercial printing.

## Industrial Technology

The work of the world increases, becomes more complicated and competitive. The sophisticated needs of the industrial and technical world are served by American-Standard air handling and cleaning equipment, fluid drives, heat exchangers, controls and instruments, WABCO earthmoving, pneumatic, mining, and drilling equipment and Melpar research and electronics.





**OTHER INCOME**

Other income is as follows:

	1969	1968
	(dollars in millions)	
Dividends . . . . .	\$ 3.1	\$2.6
Interest . . . . .	3.9	2.2
Finance operations . . . . .	.3	.3
Real estate operations . . . . .	1.9	1.3
Royalties . . . . .	1.3	.7
Other . . . . .	1.4	.6
	<u>\$11.9</u>	<u>\$7.7</u>

**MERGER SUIT**

Just prior to the meeting of shareholders of Westinghouse Air Brake Company to consider the merger with American-Standard, Crane brought litigation to restrain the consummation of the merger. Principally, Crane's suit attacked the fairness of Westinghouse Air Brake's proxy soliciting material and charged vote-buying. The trial ended May 31, 1968, with judgment in our favor on all issues, and Crane appealed. In December 1969, the U.S. Court of Appeals for the Second Circuit sustained the judgment in our favor as to the proxy material and vote-buying, but held that on a single day during the proxy soliciting period our transactions in Westinghouse Air Brake common stock violated federal securities law. The Court remanded the case for a further determination by the District Court for appropriate remedies.

The events in question occurred during a time when American-Standard and Crane were competing to acquire Air Brake stock, Crane through its tender of its debentures and we through cash purchases over the Exchange.

On December 24th the Company filed a petition for rehearing by the Court of Appeals on the grounds that all market activities were proper, and that no manipulation occurred. At press time, the court had not acted on the petition.

Management and counsel concur in the opinion that the litigation will have no material adverse effect upon the Company.

**FACILITIES**

Following is a summary of facilities at December 31:

	1969	1968
	(dollars in millions)	
Land . . . . .	\$ 23.7	\$ 18.7
Buildings . . . . .	230.5	211.2
Machinery and equipment . . . . .	449.4	420.4
Improvements in progress . . . . .	20.1	9.0
	<u>723.7</u>	<u>659.3</u>
Less: Accumulated depreciation . . . . .	399.0	377.0
	<u>\$324.7</u>	<u>\$282.3</u>

**FINANCE AND REAL ESTATE SUBSIDIARIES**

Condensed 1969 financial data for the finance and real estate subsidiaries follows:

	Finance Company		Real Estate Operations	
	1969	1968	1969	1968
	(dollars in millions)			
Assets . . . . .	\$50.1	\$37.4	\$98.6	\$45.5
Liabilities:				
Notes payable . . . . .	38.9	28.5	55.7	31.4
Accounts payable and accruals . . . . .	.3	.3	16.3	4.9
Due to parent . . . . .	5.0	3.0	16.0	.3
American-Standard's equity . . . . .	5.9	5.6	10.6	8.9
Income before taxes . . . . .	.6	.7	4.3	2.7
Taxes on income . . . . .	.3	.4	2.4	1.4
Net income . . . . .	.3	.3	1.9	1.3

**INVENTORIES**

Inventories are stated at December 31, 1969, at the lower of cost or market, cost being determined generally on a first-in, first-out basis, except inventories aggregating \$45 million, which are stated on a last-in, first-out basis, which is less than current replacement cost.

	1969	1968
	(dollars in millions)	
Finished products . . . . .	\$143.6	\$134.4
Products in process . . . . .	93.8	76.5
Raw materials . . . . .	109.6	84.1
	<u>\$347.0</u>	<u>\$295.0</u>

**TAXES**

The investment tax credit included in income amounted to \$1.0 million in 1969 as compared to \$1.2 million in 1968. The surtax effect on 1969 income is estimated to have reduced earnings by \$.9 million in 1969 compared to \$1.1 million in 1968.

Future income tax benefits are net of deferred tax liabilities. These tax benefits are due primarily to the deductibility for future income tax purposes of the 1969 extraordinary charge. Deferred tax liabilities are due principally to differences between depreciation reported for book purposes and that reported for tax purposes.

**RESERVE FOR FOREIGN OPERATIONS**

Unrealized exchange losses of \$3.6 million principally in France and Brazil were charged to the reserve for foreign operations. Unrealized exchange gain of \$.5 million in Germany was added to this reserve.

# CONSOLIDATED STATEMENT OF INCOME

AMERICAN STANDARD INC.

Year ended December 31			
1969	1968 as restated	1968 as previously reported	
dollars in thousands			
Sales . . . . .	\$1,307,393	\$1,149,742	\$1,075,235
Cost and expense			
Cost of products sold . . . . .	992,668	884,673	831,087
Selling and administrative . . . . .	205,895	171,924	156,937
Research and product development . . . . .	31,794	26,531	26,222
	<u>1,230,357</u>	<u>1,083,128</u>	<u>1,014,246</u>
	77,036	66,614	60,989
Other income . . . . .	11,890	7,741	7,738
Interest . . . . .	(30,697)	(18,517)	(18,145)
Income before taxes on income . . . . .	<u>58,229</u>	<u>55,838</u>	<u>50,582</u>
Taxes on income . . . . .	<u>23,500</u>	<u>24,212</u>	<u>21,300</u>
Income before extraordinary items . . . . .	<u>34,729</u>	<u>31,626</u>	<u>29,282</u>
Extraordinary items—net credit . . . . .	<u>3,865</u>	<u>588</u>	<u>588</u>
Net income . . . . .	<u>\$ 38,594</u>	<u>\$ 32,214</u>	<u>\$ 29,870</u>
Per common and common share equivalents:			
Income before extraordinary items . . . . .	\$1.91	\$1.71	\$1.77*
Extraordinary items—net credit . . . . .	\$ .21	\$ .03	\$ .06
Net income . . . . .	\$2.12	\$1.74	\$1.83

Depreciation, based on straight line and accelerated methods, included above amounted to \$38,356 and \$37,846 in 1969 and 1968 (as restated), respectively.

\*Based only on average common shares outstanding—  
inclusion of common share equivalents would have  
resulted in income of \$1.75 per share.

See notes to consolidated financial statements and financial review.

# CONSOLIDATED STATEMENTS OF SURPLUS

AMERICAN STANDARD INC.

	Year ended December 31	
	1969	1968
	dollars in thousands	
CAPITAL SURPLUS		
Balance, beginning of year (as restated)	\$ 53,332	\$ 54,334
Excess of aggregate price of options exercised over par value of stocks issued	1,576	1,878
Excess over par value of 37,755 shares of stock issued	1,498	—
Purchase of minority interest in subsidiary	2,339	—
Other	88	231
	<u>58,833</u>	<u>56,443</u>
Less:		
Amount relating to American-Standard's holdings of WABCO common stock cancelled in the merger	—	768
Amounts relating to WABCO merger, less dividends of \$191 received by American-Standard on its holdings of WABCO common stock	—	2,288
Amounts relating to other mergers	535	—
Purchase of capital stock in excess of par value thereof—1969, 3,294 shares of 7% preferred, 24,900 shares of \$4.75 convertible preference and 175,000 shares of common; 1968, 3,230 shares of 7% preferred	1,046	55
	<u>1,581</u>	<u>3,111</u>
Balance, end of year	<u>\$ 57,252</u>	<u>\$ 53,332</u>
EARNED SURPLUS		
Balance, beginning of year (as restated)	\$285,719	\$298,422
Provisions for settlements and expenses resulting from lawsuits, less taxes	—	(7,600)
Net income	38,594	32,214
	<u>324,313</u>	<u>323,036</u>
Less:		
Amount relating to American-Standard's holdings of WABCO common stock cancelled in the merger	—	16,699
Amounts relating to purchases of stock—24,900 \$4.75 convertible preference shares and 175,000 common shares	7,563	—
Cash dividends		
American-Standard		
7% preferred stock	223	233
\$4.75 convertible preference stock	9,834	5,374
Common stock	11,208	10,530
Dividends of pooled companies prior to merger	442	4,481
	<u>21,707</u>	<u>20,618</u>
Balance, end of year	<u>\$295,043</u>	<u>\$285,719</u>

See notes to consolidated financial statements and financial review.

# CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 1969 and 1968

AMERICAN STANDARD INC.

ASSETS	1969	1968
	dollars in thousands	
Current assets		
Cash . . . . .	\$ 49,850	\$ 48,115
Marketable securities, at cost (approximately market) . . . . .	1,212	4,596
Accounts receivable . . . . .	291,867	234,327
Inventories . . . . .	346,953	295,036
Other current assets . . . . .	12,340	8,124
Total current assets . . . . .	702,222	590,198
Investments		
Associated companies . . . . .	54,982	33,682
Other . . . . .	12,485	8,855
Facilities, at cost, net . . . . .	324,725	282,330
Future income tax benefits—net . . . . .	7,192	—
Excess of cost over net assets of businesses purchased . . . . .	93,685	72,121
Other assets . . . . .	10,031	11,447
	<u>\$1,205,322</u>	<u>\$998,633</u>

See notes to consolidated financial statements and financial review.

# LIABILITIES AND STOCKHOLDERS' EQUITY

	1969	1968
	dollars in thousands	
Current liabilities		
Loans payable . . . . .	\$ 101,051	\$ 77,027
Current maturities of long term debt . . . . .	10,003	8,653
Accounts payable and accrued liabilities . . . . .	213,079	172,386
Taxes on income . . . . .	11,700	13,556
Total current liabilities . . . . .	335,833	271,622
Long term debt . . . . .	333,587	229,731
Reserves		
Foreign operations . . . . .	11,617	14,696
Foreign pensions and termination indemnities . . . . .	12,858	10,678
Expenses resulting from re-evaluation of certain product lines and facilities . . . . .	47,592	15,533
Deferred taxes on income . . . . .	—	418
Minority interests in subsidiaries . . . . .	5,224	9,618
Stockholders' equity		
7% preferred stock . . . . .	2,943	3,272
\$4.75 convertible preference stock . . . . .	41,714	42,087
Common stock . . . . .	61,659	61,927
Capital surplus . . . . .	57,252	53,332
Earned surplus . . . . .	295,043	285,719
	458,611	446,337
	<u>\$1,205,322</u>	<u>\$998,633</u>

See notes to consolidated financial statements and financial review.

# CONSOLIDATED STATEMENT OF WORKING CAPITAL

AMERICAN STANDARD INC.

Year ended  
December 31, 1969

dollars in thousands

## Source:

Net income	\$ 38,594	
Depreciation	38,356	
Sale and disposal of facilities	16,500	
Net long term borrowings	103,856	
Proceeds from employee stock options	2,095	
Increase in reserves less decrease in minority interests	26,766	
Other	1,390	\$227,557

## Disposition:

Expenditures for facilities	66,795	
Investment in purchased and associated companies	51,756	
Increase in excess of cost over net assets of businesses purchased	21,564	
Payment of dividends	21,707	
Purchase of stock	10,312	
Future income tax benefits—net	7,610	179,744

Increase in working capital	47,813
Working capital at beginning of year	318,576
Working capital at end of year	<u>\$366,389</u>

## Represented by:

Current assets	\$702,222	
Current liabilities	335,833	
		<u>\$366,389</u>

See notes to consolidated financial statements and financial review.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PRINCIPLES OF CONSOLIDATION

All subsidiaries are consolidated except finance and real estate subsidiaries, which are stated at equity in their net assets, and subsidiaries in the development stage or subject to severe exchange restrictions, which are stated at cost or less. Fifty percent owned companies are stated at cost plus equity in their net income. The balance of investments in associated and other companies is stated at cost.

During 1969 the Company acquired the net assets of businesses which were accounted for as poolings of interest. The 1968 financial statements have been restated to include these businesses. (The statement of income as previously reported for 1968 is presented as supplemental information).

Operations of purchased companies are included in the consolidated financial statements from the dates of acquisition. The excess of cost over net assets of businesses purchased relates principally to Mosler and a European subsidiary and is not being amortized since there has been no diminution in value.

## DEBT

Total long term debt (excluding \$10 million carried in "Current Liabilities") increased \$104 million of which \$46 million represented increased domestic loans, principally under the terms of a revolving credit/term loan arrangement with a group of banks. The remaining increase of \$58 million was borrowed abroad of which a major portion was arranged in connection with acquisitions in Europe.

Current loans increased \$26 million, with U.S. borrowings down \$5 million and offshore loans up \$31 million. Increased foreign credit was required to support working capital and to some extent to comply with U.S. foreign direct investment and repatriation requirements.

Long term debt at December 31, 1969 (excluding \$10 million included in "Current Liabilities") is as follows:

	(dollars in millions)
Notes payable, prime rate, due January 2, 1971 (a)	\$ 40.0
6½ % promissory notes (a)	70.0
Notes payable, prime rate (b)	70.0
5¾ % promissory notes due in installments to 1992	25.0
3¾ % sinking fund debentures due 1978	16.2
4 % sinking fund notes, due 1981	4.5
Eurodollar loans, due 1971 to 1972, 8%-12%	17.5
Swiss franc loans, due 1974, 7¼ %-9¼ %	19.2
Italian lira loans, due 1972-1979, 7.75%	19.2
Loans of overseas subsidiaries, 3%-9%	36.6
Other loans, interest ranging from 4%-9%	15.4
	<u>\$333.6</u>

(a) American-Standard has agreed to borrow \$110 million from certain institutional lenders by issuing 6½ % promissory notes repayable in annual installments of \$6.6 million

beginning September 1, 1976 with balance due September 1, 1990. At December 31, 1969 \$70 million of this amount has been borrowed. The remaining \$40 million will be used to liquidate the notes payable to banks by January 2, 1971.

(b) The \$70 million notes payable to domestic banks are payable on revolving credit basis. The agreement with the banks provides that on April 15, 1971 the banks will convert the outstanding notes into a term loan, repayable in eight equal semi-annual installments commencing six months after the date of the term loan. Interest will be at the best rate for 90-day loans plus ¼ of 1%.

(c) The aggregate amounts of long term debt maturing in each of the four years after 1970 are: 1971—\$41.7 million; 1972—\$34.3 million; 1973—\$34.0 million and 1974—\$32.5 million.

(d) Among the working capital and dividend restrictions contained in the various loan agreements, the most restrictive requires the Company to maintain consolidated working capital of \$250 million and restricts the payment of cash dividends. Consolidated earned surplus not so restricted at December 31, 1969 amounted to approximately \$40 million.

## CAPITAL STOCK

A summary of capital stock follows:

	December 31	
	1969	1968
	(dollars in millions)	
Preferred stock—7% cumulative; \$100 par value, redemption price and preference on liquidation \$175 per share; \$5.1 million in the aggregate; authorized and outstanding 1969, 29,425 shares; 1968, 32,719 shares	\$ 2.9	\$ 3.3
Preference stock without par value; authorized 3,000,000 shares; \$4.75 cumulative preference stock series A—stated value \$20 per share, convertible into 2¾ shares of common stock; preference on involuntary liquidation—\$73.20 per share; \$152.7 million in the aggregate; issued 1969, 2,092,873 shares; 1968, 2,104,343 shares; in treasury 1969, 7,183 shares; outstanding 1969, 2,085,690 shares; 1968, 2,104,343 shares	41.7	42.1
Common stock—\$5 par value; authorized 20,000,000 shares; issued 1969, 12,785,899 shares; 1968, 12,785,262 shares; in treasury 1969, 453,982 shares; 1968, 400,084 shares; outstanding 1969, 12,331,917 shares; 1968, 12,385,178 shares	61.7	61.9

All options granted (including substitute options) are exercisable on a cumulative basis over the life of the option.

Options granted under the American-Standard stock option plan after December 31, 1963 are exercisable only if previously granted and outstanding options, if any, held by the optionee are exercisable at prices not higher than the price of the new option.

Option prices may not be less than the fair market value on the date the option is granted and options may not be granted after December 5, 1978.

At December 31, 1969, options for 727,515 common shares were outstanding under the American-Standard Stock Option Plan at prices ranging from \$13 to \$47 per share, of which 116,893 were exercisable; 39,555 shares were reserved for future options. During 1969, options for 493,500 shares were granted and options for 31,230 shares were cancelled. Options for 40,160 shares were exercised at prices ranging from \$13 to \$34 per share.

In addition, options for 21,828 common shares (granted in substitution for options originally granted by other corporations acquired) were outstanding at December 31, 1969 at prices ranging from \$17 to \$68 per share, of which 4,399 were exercisable. During 1969, options for 2,274 were granted (none were cancelled) and options for 37,672 shares were exercised at prices ranging from \$17 to \$19 per share.

At December 31, 1969 options for 6,887 shares of \$4.75 convertible preference stock (granted in substitution for WABCO options in connection with the merger of WABCO) were outstanding at prices ranging from \$55 to \$74 per share. Of such options 6,487 were exercised in 1969 at prices ranging from \$54 to \$73 per share and options for 1,100 shares were cancelled.

The excess of the aggregate price for options exercised over the par value of the shares delivered, amounting to \$1.6 million has been credited to capital surplus.

Under the Employee Stock Purchase Plan, the Company may offer subscription rights to eligible employees to purchase up to 750,000 shares of the Company's common stock. Four offerings have been made under the plan at prices ranging from \$26 to \$42 per share, the fair market value of the stock at the time of offering. At December 31, 1969, outstanding subscriptions covered 215,451 shares. Deliveries to former employees who had retired amounted to 1,489 shares.

#### **RETIREMENT PLANS**

The Corporation has retirement plans covering substantially all of its U.S. and overseas employees. Provision for retirement expense totaled \$6.4 million in 1969 and \$7.1 million in 1968. The Corporation expects this expense to increase in future years to reflect benefit improvements agreed to during 1969 and changing social requirements in certain foreign countries.

Effective in January 1969 the Corporation changed its various salaried pension plans for U.S. employees to a uniform

combination pension and profit sharing plan. A common acceptable actuarial interest assumption was used which, when applied to the new common plan and certain other plans, offset increased costs by approximately \$850,000 after tax.

The U.S. and Canadian pension plans are funded currently and the assets of these funds in the aggregate exceeded the actuarially computed value of vested benefits under the U.S. plans.

#### **EXTRAORDINARY ITEMS**

See page 10 regarding the extraordinary credit and the extraordinary charge.

#### **CONTINGENCIES**

At December 31, 1969 the Company was contingently liable in the approximate amount of \$14.5 million in connection with guaranties of obligations of associated companies, accounts receivable discounted and equipment repurchase agreements.

#### **ANTI-TRUST**

In 1966, the Company, an employee and a former employee were indicted, and in 1969 were convicted of price fixing violating the Sherman Act. Private civil actions, now numbering about 200, many purporting to be class actions, have been brought with respect to these matters, seeking to recover treble damages in unspecified amounts.

Management remains convinced that neither the Company nor any of its employees have been guilty of violating the law. Counsel advises that there was substantial error in the conduct of the trial and we have appealed the verdict of the Court.

However, the expense and diversion of management time entailed in litigating in the complex and uncertain atmosphere surrounding defense of so many purported class actions has caused management, with advice of counsel, to conclude that the prudent course is to attempt settlement of these cases. The decision to do so is not an acknowledgment of guilt by the Company. After extensive negotiations, the Company and other manufacturers have made specific offers to representatives of claimants in market categories comprising all end purchasers of plumbing fixtures, as well as contractors and merchants. These offers are conditioned, among other things, on Court approval of the settlement and on disposition of all claims at no cost beyond the offered amounts.

In contemplation of such settlements and related expenses a reserve has been established which is reflected in accounts payable and charged to prior periods, in the after-tax sum of \$7.6 million. Despite the uncertainties of settlement, on the basis of the negotiations and tentative agreements, in the judgment of management the charge is adequate.

# REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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The Shareholders and Board of Directors  
American Standard Inc.

We have examined the accompanying consolidated balance sheet of American Standard Inc. and subsidiaries at December 31, 1969, the related consolidated statement of income, the consolidated statements of surplus and the consolidated statement of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of American Standard Inc. and subsidiaries at December 31, 1969, the consolidated results of their operations and the source and disposition of their consolidated working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, New York

February 23, 1970

ARTHUR YOUNG & COMPANY

# FIVE YEAR SUMMARY\*

AMERICAN STANDARD INC.

	1969	1968	1967	1966	1965
	dollars in thousands				
Sales					
U. S. . . . .	\$ 871,625	\$ 793,128	\$ 751,707	\$ 728,933	\$ 676,827
Foreign . . . . .	435,768	356,614	305,386	293,345	212,401
Total . . . . .	1,307,393	1,149,742	1,057,093	1,022,278	889,228
Income before extraordinary items					
U. S. . . . .	19,997	18,036	19,256	21,552	23,051
Foreign . . . . .	14,732	13,590	8,422	8,462	12,538
Total . . . . .	34,729	31,626	27,678	30,014	35,589
Per common and common share equivalents	1.91	1.71	1.48	1.62	1.92
Net income . . . . .	38,594	32,214	29,538	12,419	35,214
Per common and common share equivalents . . . . .	2.12	1.74	1.58	.66	1.90
Dividends paid on common stock . . . . .	11,208	10,530	10,047	10,000	10,019
Per common share . . . . .	1.00	1.00	1.00	1.00	1.00
Common stockholders' equity . . . . .	300,789	286,573	280,249	266,903	272,746
Per common share . . . . .	24.39	23.14	22.79	21.87	22.37
Working capital . . . . .	366,389	318,576	358,135	311,843	301,832
Facilities, net . . . . .	324,725	282,330	262,847	236,056	218,930
Expenditures for facilities . . . . .	66,795	49,898	62,167	49,117	42,128
Provision for depreciation . . . . .	38,356	37,846	37,332	33,756	27,311
Employment costs . . . . .	493,481	433,248	399,415	381,881	337,479
Number of employees . . . . .	74,400	66,400	63,600	62,200	56,000
Number of countries with manufacturing operations . . . . .	23	20	18	17	17

\*Restated to include retroactively the results of companies acquired through poolings of interest transactions. Certain foreign subsidiaries of WABCO are not consolidated prior to 1966 but WABCO's equity in their net income is included in 1965.

AMERICAN STANDARD INC.

A Delaware Corporation

40 West 40th Street, New York, N.Y. 10018

## STOCK TRANSFER OFFICES

Preferred, \$4.75 Cumulative Preference Series A, and Common Stocks:

Office of the Corporation  
40 West 40th Street, New York, N. Y. 10018

## Common Stock:

United States Corporation Company  
15 Exchange Place, Jersey City, N. J. 07302

## \$4.75 Cumulative Preference Series A Stock:

Mellon National Bank & Trust Company  
Mellon Square, Pittsburgh, Pa. 15230

## REGISTRAR

Preferred, \$4.75 Cumulative Preference Series A, and Common Stocks:

First National City Bank, New York, N. Y.

## \$4.75 Cumulative Preference Series A Stock:

Pittsburgh National Bank, Pittsburgh, Pa.

## CERTIFIED PUBLIC ACCOUNTANTS

Arthur Young & Company

277 Park Avenue, New York, N.Y.

Printed in U.S.A. by

Graphic Arts Division of American-Standard

# OPERATIONS DIRECTORY

See inside front cover for additional listings

## INDUSTRIAL PRODUCTS BUSINESS

Lawrence E. Walkley, Corporate Executive Vice President  
(President, Westinghouse Air Brake Company)

### Construction and Mining Group, Pittsburgh, Pa.

Lewis J. Burger, Vice President and Group Executive

Construction Equipment Division, Peoria, Ill.

John F. McKeon, Vice President and General Manager

WABCO Equipment Canada Limited, Paris, Ont., Canada

Frank R. Remus, Vice President

Drilling Equipment Division, Enid, Okla.

Robert M. Greer, Vice President and General Manager

International Manufacturing Operations Division, Peoria, Ill.

R. M. Mitchell, Vice President and General Manager

WABCO Australia Pty. Limited

Rydalmere, New South Wales, Australia

C. Allan Mussared, Managing Director

Tratores do Brasil S.A., Sao Paulo, Brazil

Alvaro Saenz, Managing Director

L-W Manufacturing Pty. Ltd.

Johannesburg, Republic of South Africa

C. D. McConnell, Managing Director

L-W Manufacturing, S.A., Gembloux, Belgium

Jack A. McCann, Managing Director

Mining Equipment Division, Chicago, Ill.

Ernest G. Larson, Acting General Manager

Pneumatic Equipment Division, Sidney, Ohio

R. J. Riedl, Vice President and General Manager

### Transportation Group, Pittsburgh, Pa.

Keith D. Bunnell, Vice President and Group Executive

Westinghouse Air Brake Division, Wilmerding, Pa.

R. W. Ayres, Jr., Vice President and General Manager

Signal & Communications Division, Swissvale, Pa.

C. B. Ramsdell, Vice President and General Manager

WABCO Ltd., Hamilton, Ontario, Canada

R. W. Ayres, Jr., President

Cardwell Westinghouse Company, Chicago, Ill.

Fred E. Carlstedt, President

### European Operations Group, Brussels, Belgium

Richard W. Foxen, Vice President and Group Executive

Westinghouse Bremsen-und Apparatebau G.m.b.H., Vienna, Austria

Dr. Karl Neubeck, Managing Director

International Brake and Rectifier, Brussels, Belgium

Raymond Michotte, Managing Director

Compagnie des Freins et Signaux Westinghouse, Sevrans, France

Felix Le Norcy, General Manager; H. J. Potet, Managing Director

Westinghouse Bremsen-und Apparatebau G.m.b.H.,

Hannover-Linden, Germany

Rudi Lind and Klaus von Kardorff, Managing Directors

Compagnia Italiana Westinghouse Freni e Segnali, Torino, Italy

Mario Longo, Managing Director

S. A. des Freins et Signaux Westinghouse, Berne-Bumpliz, Switzerland

Hugo Russi, Managing Director

### Controls and Anti-Pollution Group, Pittsburgh, Pa.

Richard E. Spaid, Vice President and Group Executive

Aerospace Department, Pittsburgh, Pa.

Martin J. Connolly, General Manager

Controls Department, Swissvale, Pa.

C. William Woods, General Manager

Fluid Power Division, Lexington, Ky.

George W. Smith, Jr., Vice President and General Manager

Heat Transfer Division, Buffalo, N.Y.

R. A. Caleb, Vice President and General Manager

Industrial Products Division, Dearborn, Mich.

Robert G. Schreiner, Vice Pres. and General Manager

Tonawanda Iron Division, North Tonawanda, N. Y.

Albert D. Bright, Vice President and General Manager

## SECURITY, TECHNICAL PRODUCTS AND GRAPHIC ARTS BUSINESS

William A. Marquard, Jr., Corporate Executive Vice President  
(President, The Mosler Safe Company)

### Mosler Security Products Group, Hamilton, Ohio

Clinton M. Starks, Vice President and Group Executive  
(Executive Vice President, The Mosler Safe Company)

Airmatic Systems Division, Wayne, N. J.

Wolfgang R. Stieber, Vice President and General Manager

Bank and Commercial Division, Hamilton, Ohio

Daniel J. Hobbs, Vice President and General Manager

Electronic Systems Division, Danbury, Conn.

Coleman London, Vice President and General Manager

International Operations, New York, N. Y.

John H. S. Cook, Director

Mosler de Mexico, S.A. de C.V., Mexico D.F.

Ian Anderson, Managing Director

Mosler Safe Co. de Puerto Rico, Inc., San Juan, Puerto Rico

Octavio J. Valdes, Managing Director

Affiliated Company:

Fuji Seiko Co. Ltd., Tokyo, Japan

Kin-ichi Sawai, President

### Technical Products Group, Falls Church, Va.

L. W. Tobin, Jr., Vice President and General Manager

Aero Research Instruments Dept., Franklin Park, Ill.

N. C. Vojta, General Manager

Military Electronics Division (Melpar), Falls Church, Va.

J. Pierce Chambers, Vice President and Gen. Manager

Aviation Products Division, Monrovia, Calif.

S. E. Leinwand, General Manager

Avionics Division (Wilcox), Kansas City, Mo.

A. E. Wasserman, Acting Vice Pres. and General Manager

### Graphic Arts Group, Cockeysville, Md.

Thomas M. Sheridan, Vice President and Group Executive  
(President, Graphic Arts)

Bank Stationery Division, Baltimore, Md.

J. C. Rehak, Vice President and General Manager

Business Forms Division, Willow Grove, Pa.

James L. Sinclair, Vice President and General Manager

Commercial Printing Division, Cockeysville, Md.

F. E. Rudman, Vice President and General Manager

### Building Specialties

New Castle Products Company, New Castle, Indiana

D. C. Danielson, President

Steelcraft Manufacturing Company, Cincinnati, Ohio

R. E. Levinson, President



AR53



40 WEST 40th STREET, NEW YORK, N. Y. 10018 / (212) 695-5600

March 14, 1969

Dear Shareholder:

We hope very much you will be able to attend the 1969 annual meeting of American-Standard stockholders. This meeting will be held on Thursday, April 10, 1969, beginning at 2:00 p.m., in the Colonnades Room of the Essex House Hotel, 160 Central Park South, New York, New York.

At the meeting we will present a full report on current operations and there will be ample opportunity for discussion of the Company and its activities. We will also take care of the items of business set forth in the attached formal notice of the meeting and proxy statement. Our 1968 annual report, which has already been mailed to you, gives additional background material for the meeting.

If you find you are unable to attend in person, we sincerely hope that you will participate in the meeting by voting your stock by proxy. You can do so conveniently just by filling out and returning the enclosed proxy card.

We appreciate the opportunity of working with you and sharing in the continued progress of American-Standard.

Sincerely,

W. D. Eberle  
President





## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

*To the Stockholders of*

AMERICAN STANDARD INC.

The Annual Meeting of stockholders of the Company will be held in the Colonnades Room of the Essex House Hotel, 160 Central Park South, New York, N. Y., on Thursday, April 10, 1969, at 2:00 P.M. for the following purposes:

1. To elect sixteen Directors;
2. To consider and act on a proposal that the employment of Arthur Young & Company as independent Certified Public Accountants be continued for the year 1969;
3. To consider and act on Employee Stock Programs:
  - (a) To amend the Employee Stock Purchase Plan by increasing the number of shares allocable thereto;
  - (b) To amend the Stock Option Plan by increasing the number of shares allocable thereto and extending its duration;
4. To transact such other business as may properly come before the meeting.

Stockholders of record of common and preference stock as at the close of business on February 18, 1969 only are entitled to notice of, and to vote at, the meeting. A complete list of such stockholders will be open to the examination of any stockholder during ordinary business hours for a period of ten days prior to the meeting at the stock transfer office of the Company, 40 West 40th Street, New York, N. Y.

In order to assure a quorum, it is important that stockholders who do not expect to attend the meeting fill in, date and sign the enclosed proxy and promptly return it in the enclosed envelope, to which no postage need be affixed if mailed in the United States.

By order of the Board of Directors,

DAVID A. DE WAHL,

*Secretary*

New York, N. Y., March 14, 1969



## PROXY STATEMENT

This statement is furnished in connection with the solicitation of proxies by the Management of AMERICAN STANDARD INC. (the "Company"), a Delaware corporation, for use at the Annual Meeting of stockholders of the Company to be held on April 10, 1969 and at any adjournments thereof.

Only holders of the common stock and the \$4.75 Cumulative Convertible Preference Stock, Series A are entitled to vote on the matters to be considered at this annual meeting. Each share entitles the holder to one vote, and February 18, 1969 at the close of business is the record date for determining stockholders entitled to vote. On that date, there were outstanding 10,706,420 shares of common stock and 2,078,147 shares of Preference Stock, Series A entitled to vote.

The enclosed form of proxy may be revoked at any time insofar as it has not been exercised. The shares represented by all properly executed proxies received in time for the meeting will be voted. Where stockholders have specified a choice by marking the proxy, the shares represented by such proxy will be voted in accordance with the specification made. Where no choice is specified in a properly executed proxy, the shares will be voted in accordance with the recommendations of Management.

The financial statements for the year 1968 contained in the 1968 Report to Shareholders of the Company has previously been sent to all shareholders. An additional copy of such Report will be mailed to any shareholder upon request.

The Company bears the cost of this solicitation. Proxies may be solicited by mail, telephone or telegraph or personally by Directors, officers and regular employees of the Company. The Company will reimburse persons holding stock in their names or in the names of their nominees for expenses of forwarding proxy material to their principals.

### 1. ELECTION OF DIRECTORS

At the Annual Meeting, Directors are to be elected to serve for the ensuing year and until their successors shall have been elected and shall have qualified.

The proxy holders named in the enclosed proxy form intend to vote for the election of the nominees listed below. In the unexpected event that any nominee is unable to serve as a Director, the proxy holders reserve the right to vote for a substitute nominee designated by the Board of Directors.

PAUL M. AUGENSTEIN  
1962



*Executive Vice President, American-Standard*

Mr. Augenstein began his business career with the General Electric Company in 1935 after graduating from Hiram College. In 1958 he became President of the Airtemp Division of Chrysler Corporation, continuing in that capacity until he joined the Company as Executive Vice President in 1961. He is a member of the Grand Central Advisory Board of the Chemical Bank New York Trust Co. and Trustee and Vice Chairman of the National Housing Center.

11,846 CS

E. NEWTON CUTLER, JR.  
1961



*Senior Vice President, First National City Bank*

Mr. Cutler, a graduate of Princeton, has spent his entire business career with First National City Bank. He was Vice President from 1950 to 1958 when he was elected Senior Vice President. His other directorships include Trust Company National Bank, Morristown, New Jersey and Consumers Power Company.

500 CS

W. D. EBERLE  
1966

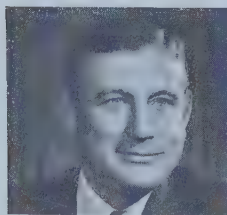


*President, American-Standard*

Mr. Eberle joined the Company as President in September 1966 and became chief executive officer the following year. He was Vice President of Boise Cascade Corporation from 1960 to 1966. Prior to that time Mr. Eberle practiced law and operated several small businesses. He was educated at Stanford University and holds M.B.A. and LL.B. degrees from Harvard University. He is a Director of the Atlantic Companies, and Urban America, and is a trustee of the African American Institute and the Committee for Economic Development.

31,069 CS

JOSEPH A. GRAZIER  
1952



*Formerly Chairman of the Board, American-Standard*

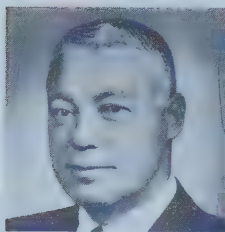
Mr. Grazier graduated from Lafayette College and received his law degree from the University of Pennsylvania. After joining the Company in 1937, he served as Secretary, Vice President, President and Chairman of the Board, from which position he retired late in 1968. He is a Director of Bristol-Myers Company, Johns-Manville Corp., National Cash Register Co., First National City Bank, First National City Corporation, and Sinclair Oil Corp., and is Trustee of the National Industrial Conference Board and of Lafayette College.

25,500 CS

\* "CS" refers to Company's Common Stock.

"Pref A" refers to Company's \$4.75 Cumulative Convertible Preference Stock—Series A.

**JOHN C. GRISWOLD**  
1962

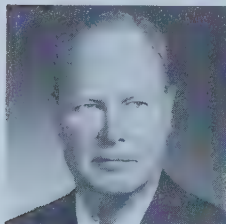


*Partner, Eastman Dillon, Union Securities & Co.*

Mr. Griswold was educated at Milliken University and holds an LL.D. from that institution. He was associated with several insurance firms from 1922 until 1945 when he founded his own firm, Griswold & Co. From 1949 to 1964 he was an officer of W. R. Grace & Co. Since 1964, he has been a general partner of Eastman Dillon, Union Securities & Co. Mr. Griswold is a Director of, among others, W. R. Grace & Co., Metromedia, Inc., Michigan Gas Utilities Co., and Alexander S. Onassis Corp.

1,000 CS

**EDWARD J. HANLEY**  
1968



*Chairman of the Board,  
Allegheny Ludlum Steel Corporation*

Mr. Hanley is a graduate of Massachusetts Institute of Technology and of the Harvard Graduate School of Business. Associated with Allegheny Ludlum Steel Corporation since 1936, Mr. Hanley served as President from 1951 to 1967, and as Chairman from 1962 until the present. His other directorships include the Bell Telephone Company of Pennsylvania, Duquesne Light Company, Mine Safety Appliances Company, Penn Central Company, National Lead Company, Titanium Metals Corporation of America, and the Port Authority of Allegheny County.

100 CS  
50 Pref A  
\*\*

**JOHN M. KINGSLEY**  
1966



*President, Bessemer Securities Corporation*

Mr. Kingsley, a Yale graduate, has been associated with Bessemer Securities Corporation since 1938. He is also President and a Director of Bessemer Trust Co. and is a Director of American Smelting & Refining Company, International Paper Co., and American Natural Gas Co.

1,000 CS

\* "CS" refers to Company's Common Stock.

"Pref A" refers to Company's \$4.75 Cumulative Convertible Preference Stock—Series A.

\*\* Mr. Hanley disclaims any beneficial interest in another 50 shares of \$4.75 Cumulative Convertible Preference Stock—Series A held by his wife.

GEORGE P. MacNICHOL, JR.  
1959

*Director, Libbey-Owens-Ford Company*

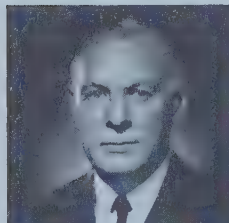


Mr. MacNichol attended the University of Michigan and Yale College. He has been associated with Libbey-Owens-Ford Company since 1920, serving as President from 1953 to 1963 and as Chairman and chief executive officer from 1963 to 1964. His other directorships include Armco Steel Corp., Columbia Gas System, Goodyear Tire & Rubber Company, Johns-Manville Corp., Ohio Fuel Gas Co., Columbia Gas of Ohio, Ohio Valley Gas Company, Toledo Trust Company and Wyandotte Chemicals Corporation.

100 CS

A. KING McCORD  
1968

*Chairman, Westinghouse Air Brake Company (a subsidiary of the Company since June, 1968)*



Mr. McCord is a graduate of Beloit College and attended Harvard and the University of Chicago law schools and holds an honorary LLD degree from Thiel College. He joined Westinghouse Air Brake Company as President in 1956, moving from the Oliver Corporation, which he headed. He was President of Westinghouse Air Brake Company from 1956 to 1966 and became Chairman in 1965. Mr. McCord is also a Director of Jones & Laughlin Steel Corporation, Pittsburgh Forgings Company and Canadian Westinghouse Company Limited. He is a trustee of Duquesne University Foundation.

4,700 Pref A

LEONARD P. POOL  
1963

*Chairman, Air Products and Chemicals, Inc.*



Mr. Pool holds honorary degrees from Lehigh University, PMC College and Allegheny College. He has been associated with the industrial gas industry since 1927. Mr. Pool was founder of Air Products and Chemicals, Inc., and was its President from 1940 until 1966, when he became Chairman of the Board and Chief Executive Officer.

100 CS

\* "CS" refers to Company's Common Stock.

"Pref A" refers to Company's \$4.75 Cumulative Convertible Preference Stock—Series A.

FREDERIC N. SCHWARTZ  
1967

*Chairman of the Executive Committee,  
Bristol-Myers Company*



Mr. Schwartz was graduated from Syracuse University. In 1945 he joined the Bristol Laboratories of Bristol-Myers Company and served as its President from 1946 to 1958. He was President and chief executive officer of Bristol-Myers Company from 1958 to 1965, when he became in addition Chairman of the Board. In January 1967, he became Chairman of the Executive Committee of that corporation.

500 CS

G. ALBERT SHOEMAKER  
1968

*Formerly President, Consolidation Coal Co.*



Mr. Shoemaker holds a B.S. degree in Mechanical Engineering from The Pennsylvania State University. In 1951, he became Vice President of Consolidation Coal Co. and during the following years served as Executive Vice President, Director and President, retiring as an officer of that company in 1966. From 1966 until 1968 he was Executive Advisor on coal matters to Continental Oil Company. Mr. Shoemaker is a Director of Dravo Corporation, Norfolk and Western Railway Company and Pittsburgh National Bank.

100 Pref A

LAURENCE C. WARD  
1960

*Executive Vice President, American-Standard*



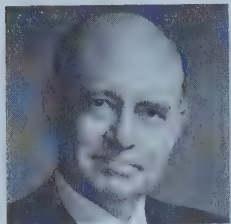
Mr. Ward graduated from Princeton in 1931. He was associated with The Chase Manhattan Bank, Fidelity Union Trust Company and Thermoid Corp. before he joined the Company in 1954. He has served successively as Treasurer, Vice President, Finance and Executive Vice President of the Company. Mr. Ward is a Director of Clark Equipment Company and a Member of the Advisory Board of The Chase Manhattan Bank.

10,958 CS

\* "CS" refers to Company's Common Stock.

"Pref A" refers to Company's \$4.75 Cumulative Convertible Preference Stock—Series A.

**HENRY S. WINGATE**  
1955



*Chairman,  
The International Nickel Company of Canada, Limited*

Mr. Wingate graduated from Carlton College and in 1929 received his law degree from the University of Michigan. Since 1935 he has been associated with The International Nickel Company of Canada, Limited, serving successively as Assistant Secretary, Secretary, Vice President, President and Chairman. He is also a Director of Bank of Montreal, Canadian Pacific Railroad, United States Steel Corporation and Morgan Guaranty Trust Co., and a Trustee of Seaman's Bank for Savings.

500 CS

**HERBERT B. WOODMAN**  
1960

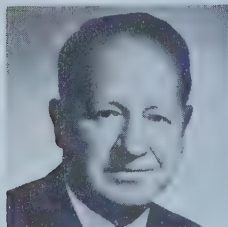


*Chairman,  
Interchemical Corporation*

Mr. Woodman holds B. A. degrees from the University of Wyoming and Oxford University and attended Harvard Law School. After private practice of law with the firm of Cravath, deGersdorff, Swain & Wood, he joined Interchemical Corporation in 1936. He served successively as Secretary, Vice President, President and Chairman of that corporation. He is also a Trustee of Central Savings Bank in the City of New York.

100 CS

**LESLIE B. WORTHINGTON**  
1968



*Formerly President and Chief Administrative Officer,  
United States Steel Corporation*

After receiving his B.S. degree from the University of Illinois in 1923, Mr. Worthington began his career with U. S. Steel Corporation. In 1959 he was elected President and Chief Administrative Officer and also a Director and Chairman of the Executive Committee of that corporation. He continues as Director in, but retired from his other positions at U. S. Steel Corporation in June 1967. Mr. Worthington is also a Director of Mellon National Bank and Trust Company, The Greyhound Corporation, Williams Brothers Company and TRW, Inc.

200 CS  
100 Pref A

\* "CS" refers to Company's Common Stock.

"Pref A" refers to Company's \$4.75 Cumulative Convertible Preference Stock—Series A.

NOTE: Members of the Executive and Finance Committee of the Board of Directors are Messrs. Joseph A. Grazier (Chairman), A. King McCord (Vice Chairman), W. D. Eberle, John M. Kingsley, Laurence C. Ward, Henry S. Wingate, Herbert B. Woodman and Leslie B. Worthington.

## REMUNERATION OF DIRECTORS AND OFFICERS

Set forth below is certain information (i) as to direct remuneration for services in all capacities during the fiscal year ended December 31, 1968 on an accrual basis paid by the Company and its subsidiaries to each Director, and each of the three highest-paid officers, of the Company whose aggregate remuneration exceeded \$30,000 and to all its Directors and officers as a group; and (ii) as to all pension or retirement benefits proposed to be paid to such persons, on the assumptions set forth in the footnote to such tables. (See footnote (7) for discussion of Company's pension plans, generally.)

Name of individual and capacity in which remuneration was received(1)	Aggregate Remuneration 1968(2)	Annual Retirement Benefits(3)
W. D. Eberle, Director and President .....	\$ 225,000	\$ 57,442
Laurence C. Ward, Director and Executive Vice President .....	127,000	39,760
Joseph A. Grazier, Chairman of the Board and Director(4) .....	107,250	45,000
Paul M. Augenstein, Director and Executive Vice President .....	107,000	34,546
A. King McCord, Chairman of Westinghouse Air Brake Company, a subsidiary from June 7, 1968, and Director of the Company(5) .....	79,003	36,620
<b>31 Directors and officers as a group(6) .....</b>	<b>1,367,117</b>	<b>458,251</b>

- (1) No Director who is also an employee of the company or a subsidiary receives any remuneration for services as a Director.
- (2) Pursuant to a plan approved early in 1968 by the Board of Directors for that year, provision was made for awarding varying levels of incentive compensation to key-salaried employees dependent upon the level of earnings of the Company for the year. Under this arrangement in December, 1968 a total of \$1,843,921 was made available to some 580 participating employees of the Company. Under the Company's deferred compensation plan approved by stockholders at the 1968 Annual Meeting certain of these incentive awards were granted either in the form of deferred cash or "restricted stock" (stock which may not be disposed of for a specific period of time). The amounts shown in the table above of aggregate remuneration for the year 1968 include in each case the incentive awards for the year 1968. A similar proposal for incentive compensation for 1969, not yet determined upon, is expected to be submitted to the Board of Directors for approval later this year.
- (3) The amounts shown are benefits attributable to employer contributions, estimated to be payable to each person for his life from normal retirement date (age 65) assuming continuation of applicable pension plans and that each person (i) will continue to receive to normal retirement, remuneration at the annual rate reflected above, (ii) will then be qualified, as to employment status and otherwise, for pension benefits under the plans, (iii) will, if now a participant, continue to participate in the Supplemental Contributory Retirement Plan to normal retirement and (iv) will not elect a joint and survivor annuity (which would, on an actuarial basis, reduce benefits to him but provide benefits to a surviving beneficiary). It is further assumed that the investment performance of the fund under the Supplemental Plan from December 31, 1968 to each participant's normal retirement will be equal to the assumed interest rate of the plan (currently 4%). Subject to the approval of the Internal Revenue Service, restructured retirement benefits for American-

Standard salaried employees will go into effect as of January 1, 1969. A profit sharing plan will provide variable benefits in lieu of fixed-formula retirement benefits with respect to all compensation after January 1, 1969, in excess of twice the so-called Social Security base (i.e., in 1969, in excess of \$15,600). Company profit sharing contributions will be within the discretion of the Board of Directors, but the Board has adopted the goal of contributing an average of 10 per cent of relevant compensation. The Company's consulting actuary estimates that the restructuring will result in negligible change in the cost to the Company in providing retirement benefits and that at normal retirement, the fixed benefits of Messrs. Eberle, Augenstein, and Ward, as well as all present directors and officers, as a group, will be less than the figures shown above. Profit sharing benefits will depend upon the performance of the securities in which contributions (including voluntary contributions which participants may make) are invested. All or a portion of a participant's account may be invested in the stock of the Company or in a diversified stock portfolio. The purpose of the changes is principally to improve fixed retirement benefits for lower-salaried personnel and to make the benefits of higher-salaried personnel dependent on the performance of the Company in future years and on the success of the Profit Sharing Plan investment program. (See also Footnotes (5) and (6) below.)

- (4) Retired as Chairman October 1, 1968, but continues as Director and as of January 1, 1969, began performing consulting services for the Company, for which he is to receive \$2,400 per month while providing such services. On retirement, in addition to the benefits shown on the table above (all of which in his case are pursuant to American-Standard's Non-Contributory plan), Mr. Grazier was granted a lump-sum payment of the actuarial equivalent of the monthly payment to which he was entitled under the Supplemental Contributory Retirement Plan, \$85,960 of which was attributable to Company contributions.
- (5) Mr. McCord has an employment agreement, originally with Westinghouse Air Brake Company, expiring April 3, 1969, at a salary of \$105,000 per year, plus such other compensation as the Board of Directors may in its discretion from time to time determine, with a provision for continuation of compensation in the event of disability for a period not to exceed one year and for certain pension benefits (reflected in the table above). After April 3, 1969, Mr. McCord may be employed in an advisory position at the rate of \$15,000 per year for such period of time as the company may determine. The amount of remuneration set forth in the table does not include remuneration including extra compensation applicable to the period prior to June 7, 1968.
- (6) (a) Amounts do not include remuneration or benefits to assistant officers.
- (b) Included in the group are two individuals who became officers of the Company in October 1968 and who were and still are officers of subsidiaries of the Company. Both such persons had employment contracts at the time their employers (now subsidiaries) were acquired or merged into the Company which contracts are still in force and effect. One of these officers has a contract until July 31, 1974 at a salary of \$85,000 per year plus such other compensation as the Board of Directors may in its discretion from time to time determine, with a provision for continuation of compensation in the event of disability for a period not to exceed one year and for certain pension benefits (reflected in the table above).

The other officer has a contract until December 31, 1974 at a base salary of \$65,000 per annum. In addition, deferred amounts are accrued monthly at the rate of \$32,500 per annum. These amounts (accruing since January 1, 1965) are payable on expiration of the contract or earlier termination. Special death and disability benefits are also provided. Additional amounts are payable for 60 months in the event of permanent disability. Additionally such officer's life is insured under a so-called split dollar life insurance arrangement partially paid for by the employer. Upon the death of the officer, the premium costs to the employer will be repaid out of the insurance proceeds, with the balance payable to the officer's beneficiaries. The officer's benefits under the regular pension and profit sharing plans of the subsidiary is reflected in the table above.

- (7) Over the past five years the Company had a number of pension plans in effect for employees at its various domestic and foreign locations, including plans of companies acquired during the period. In general, these plans provide for the payment of retirement income to all eligible employees who retire at or after age 65 or whose employment is terminated under prescribed conditions at earlier ages. The estimated unfunded liability for past-service costs under the employee-retirement plans of the Company and its subsidiaries was approximately \$11,100,000 at December 31, 1968, and the pension expense including amortization for prior years' service over periods not exceeding 30 years amounted to \$7,137,000 in 1968 on a pooled basis including Westinghouse Air Brake Company for the entire year. The annual retirement benefits shown in the remuneration table above represent the estimated amounts payable to named directors and officers, and all present directors and officers as a group, based on the assumptions previously stated. In addition, certain foreign subsidiaries have so-called social benefit programs required by or conforming to local law.

## 2. THE EMPLOYMENT OF ACCOUNTANTS

The Board of Directors proposes in accordance with the recommendation of a committee of its members, none of whom is an officer of the Company, to continue the employment of Arthur Young & Company as independent Certified Public Accountants to audit the financial statements of the Company for the year 1969 upon such terms as are fixed by the Board of Directors and specifically upon the understanding that a member of that firm in charge of its work for the Company shall attend the 1970 Annual Meeting of Stockholders. The Board of Directors recommends that such employment be approved by the stockholders. If the foregoing proposal is rejected or if Arthur Young & Company shall decline to act or otherwise become incapable of acting, or if their employment is otherwise discontinued, the Board of Directors will appoint other independent accountants whose employment for any period subsequent to the 1970 Annual Meeting of Stockholders shall be subject to approval by the stockholders at that meeting.

## 3. EMPLOYEE STOCK PROGRAMS

An important part of the Company's programs for attracting and retaining capable people is the practice of making possible ownership participation in the growth of the Company through employee stock purchase and stock options plans. To provide for the continuance of these plans, it is now proposed that the shares available under the stock purchase plan, generally open to all employees who do not have options, be increased and that the Company's Stock Option Plan, which will expire later this year, be extended and the share allocations increased.

### (a) Employee Stock Purchase Plan

The Company, pursuant to a plan adopted by the stockholders at the 1968 meeting, offered the opportunity to purchase shares of its Common Stock to

practically all its employees in the United States and Canada (excluding newly hired employees and those holding stock options). No present officers or directors are participants in the Plan.

The Plan's first year operations have been a gratifying success with 8,000 employees (26% of those eligible) participating. 500,000 shares were originally allocated to the Plan. Approximately 175,800 shares had been subscribed for at the close of 1968. The Company intends shortly to reopen the opportunity to subscribe for shares to all eligible employees in the U. S. and Canada and to make an offering for the first time to employees in those other countries where feasible under local law.

Under the Plan, as amended, it is intended that for an indefinite period all eligible employees of the Company or any of its designated subsidiaries shall have periodic opportunities to subscribe for shares subject to the limit that the aggregate purchase price of shares under all of the participant's outstanding subscriptions shall not exceed 15% of his annual compensation. If the reception is as anticipated the original authorization of 500,000 shares will be exhausted. Management therefore requests that shares authorized be increased to 750,000.

The purchase price under each subscription may not be less than 95% of the fair market value of the stock on the commencement date of that particular subscription opportunity (the average of the high and low prices on the New York Stock Exchange on such date or, in the absence of trading, on the next preceding day when sales were made). Until the end of any payroll deduction period (approximately two years), an employee may suspend further deductions at any time, or terminate his subscription and be refunded the amount of cash credited to his account including interest. At the end of the payroll deduction period, the stock purchased is issued to the participating employee. Until that time, he has no dividend, voting or other rights with respect to the stock. It is intended that the stock sold will be either authorized but unissued shares or Treasury shares.

The Plan is intended to comply with Section 423 of the Internal Revenue Code, so that long-term capital gain treatment would apply to any gain realized on a sale of shares held for more than six months.

The purchase price under two previous employee stock purchase offerings in December, 1967 and August, 1968 was \$26.18 and \$41.69, respectively.

The Board of Directors retains the right to amend the Plan from time to time, or to terminate the Plan, but no change may be made which would impair rights under outstanding subscriptions. Except for adjustments in the event of reorganization, recapitalization, stock split, stock dividend, or the like, the Board may not without approval of stockholders increase the maximum amount of stock that may be offered under the Plan or offer stock at a price less than 95% of the market price on the date of the offer.

## (b) Stock Option Plan

We have found increased ownership potential through stock options to be a significant part of the total executive compensation program to provide the management group our Company needs. When appropriately conceived and administered (as we believe ours is), stock options stimulate increases in shareholder value by enabling the executives responsible for the increases to share in the benefits.

The Plan was originally approved by the stockholders in 1960. Virtually all shares originally available under our plan have been optioned and the Plan will expire in September of this year.

In the past twenty months the size of the Company has about doubled. We want to provide options to the many capable executives who have joined us, to recognize those whose responsibilities have increased, and to broaden the base of executives who may participate in the Plan, in the United States and in our foreign locations. Accordingly, we request stockholder approval of extension of the Plan through December 5, 1978 (including authority to reoption after September 10, 1969 shares of the original 500,000 share authorization which remain unpurchased at the time of the expiration or termination of any existing or future option) and allocation of an additional 500,000 shares for grants to key employees under the extended plan.

It is intended that the Plan will continue to meet the requirement of the Internal Revenue Code, as amended by the Revenue Act of 1964, so that the options granted to employees will continue to be "qualified stock options" as defined by Section 422 of said Code. If an employee sells stock purchased under the Plan more than three years after its purchase, he will receive long-term capital gain tax treatment on the full amount of any gain realized.

The option price may not be less than 100% of the fair market value of the shares at the time the option is granted, as fixed by the Board of Directors. The "fair market value" may be taken as the reported closing price of the Company's Common Stock on the New York Stock Exchange on the date of grant (or, if no sale takes place on such date, then the closing price on the preceding day on which a sale was made). Payment for shares purchased must be in cash.

The Plan is administered by a Stock Option Committee appointed by the Board of Directors from its members, none of whom is eligible to participate under the Plan. The optionees are selected by the Board from among those key employees recommended by the Committee and may include directors who are full time employees of the Company or of one of its subsidiaries. No employee may be granted options for more than 7½% of the total number of shares covered by the Plan. Any

unpurchased shares subject to an option at the time such option expires or terminates are available for the future grant of other options.

If the Plan is amended as proposed, the maximum number of shares which may be issued under the Plan will be increased by 500,000 shares of Common Stock. In the event of reorganization, stock split, stock dividend, combination of shares, mergers, consolidations or other change in the nature of shares of Common Stock, the Committee may make appropriate adjustments in the option price and number of the unpurchased shares subject to outstanding options and in the number and kind of shares reserved under the Plan. An option cannot be exercised earlier than one year from the date of grant, nor later than five years from such date. If an optionee ceases to be employed by the Company or a subsidiary (unless discharged for cause), the option may be exercised by him within three months thereafter for the number of shares purchasable by him on the date he ceased to be employed. Similar provision is made in the event employee dies more than one year after the grant of the option. Under the Plan, as proposed to be amended, no grants of options will be made after December 5, 1978.

Under the Internal Revenue Code neither the grant of the option nor its exercise will be deemed receipt of income by the optionee, and under such circumstances, the Company will not be entitled to any deduction for federal income tax purposes. If, however, a disqualifying disposition is made of the shares acquired pursuant to the stock option (i.e., sale of shares less than three years after acquisition) an employee may realize ordinary income on a portion of his gain and the Company will be entitled to a Federal income tax deduction in such amount.

Either authorized but unissued Common Stock or Common Stock held in the treasury may be used for the issuance of stock under the Plan.

Renewal of the Plan was approved December 5, 1968 by the Board of Directors subject to approval of stockholders, and options for a total of 132,500 shares were conditionally granted, including an option for 5,000 shares granted to Mr. W. D. Eberle, President of the Company and an option for 6,000 shares issued to another officer.

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The Company recommends that stockholders vote in favor of the proposed amendments to the Employee Stock Purchase and the Stock Option Plans. The affirmative vote of a majority of the outstanding shares of Common Stock and \$4.75 Cumulative Convertible Preference Stock, Series A, voting together is required to adopt each proposal. (For information concerning other compensation and benefit arrangements see "Remuneration for Directors and Officers" and accompanying footnotes, included elsewhere herein).

## STOCK OPTION DATA

The following tabulation shows as to certain Directors and officers and all present Directors and officers as a group (i) options granted since January 1, 1964 (including regrants of options for shares covered by terminated or expired option installments) under the Company's Stock Option Plan,<sup>(1)</sup> (ii) shares acquired from January 1, 1964 to January 31, 1969 through the exercise of options granted since January 1, 1964 or prior thereto, (iii) shares sold during such period of the same class as those acquired, and (iv) shares subject to all unexercised options held as of January 31, 1969. This tabulation does not include options granted contingent upon stockholder approval of the proposed extension of the Company's Plan (see proposal above under "Stock Option Plan").

	<u>W. D. Eberle</u>	<u>Laurence C. Ward</u>	<u>Joseph A. Grazier</u>	<u>Paul M. Augenstein</u>	<u>All present directors and officers as a group</u>
<b>COMMON SHARES</b>					
Granted—					
1/1/64 to 1/31/69					
Number of shares .....	30,000	2,000	—0—	1,000	69,000
Average per share option price .....	\$17.67	\$26.00	—0—	\$26.00	\$25.06
Exercised—					
1/1/64 to 1/31/69					
Number of shares .....	15,000	8,150	18,000	9,000	62,160
Aggregate option price of options exercised ...	\$240,000	\$125,747	\$263,340	\$137,250	\$ 977,154
Aggregate market value of shares on date options exercised .....	\$535,625	\$235,450	\$547,150	\$263,700	\$2,022,696
Sales— <sup>(2)</sup>					
1/1/64 to 1/31/69					
Number of shares .....	—0—	—0—	2,800 <sup>(3)</sup>	—0—	2,800 <sup>(3)</sup>
Unexercised at 1/31/69					
Number of shares .....	15,000	2,850	—0—	4,000	57,840
Average per share option price .....	\$19.33	\$22.16	—0—	\$17.94	\$26.03

In addition, during the period other employees were granted options under the Company's Stock Option Plan for 288,750 common shares at an average option price per share of \$30.48. The closing price of the Company's Common Stock on the New York Stock Exchange on January 31, 1969 was \$46.75.

(1) The above table does not include options which, pursuant to agreement, were granted by the Company outside of its Stock Option Plan in substitution for outstanding options for shares of The Mosler Safe Company ("Mosler") and Westinghouse Air Brake Company ("WABCO") upon the respective acquisition and merger of these companies. At the time of the acquisition of a majority of Mosler's capital stock in May, 1967, substitute options for a total of 125,866 shares of the Company's Common Stock were granted to then optionees under the Mosler stock option plans at an average per share option price of \$14.12, option prices

being determined in accordance with the requirements of Section 425 of the Internal Revenue Code. Of this amount substitute options for 55,156 shares were held by all officers and directors of the Company as a group having an average per share option price of \$14.45, of which 22,735 shares have been purchased since May, 1967 through January 31, 1969 for an aggregate option price of \$172,081 and an aggregate market value of \$682,050 (determined as of the date such options were exercised), leaving 32,421 shares subject to such options with an average per share option price of \$19.28. Sales by such group during the period amounted to 22,694 shares of Common Stock.

At the time of the merger of WABCO in June, 1968, substitute options for a total of 20,074 shares of the Company's \$4.75 Cumulative Convertible Preference Series A stock were granted to then optionees under the WABCO stock option plans at an average per share option price of \$66.37, option prices being determined in accordance with the requirements of Section 425 of the Internal Revenue Code. Of this amount, substitute options for 2,550 shares were held by all officers and directors of the Company as a group at an average per share option price of \$71.88, of which 300 shares have been purchased since June, 1968 through January 31, 1969 for an aggregate option price of \$21,750 and an aggregate market value of \$35,625 (determined as of the date such options were exercised), leaving 2,250 shares subject to such options having an average per share option price of \$71.80. No sales of Preference Stock Series A have been made during this period by any person included in such group who have made purchases pursuant to such substitute stock options.

No present director and none of the above named officers is a grantee of any substitute option.

(2) Sales by directors and officers who exercised options during the period January 1, 1964 to January 31, 1969.

(3) Does not include 1,290 shares of Common Stock sold by a trust of which Mr. Grazier is the income beneficiary.

## **5. ANY OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

The Management of the Company is not aware of any other matters to be presented for action at the meeting. However, if any such other matters are presented for action, it is the intention of the proxy holders named in the enclosed form of proxy to vote in accordance with their discretion on such matters.

By order of the Board of Directors,

DAVID A. DE WAHL  
*Secretary*

March 14, 1969



NOTICE OF ANNUAL MEETING  
AND  
PROXY STATEMENT

1969

American-Standard